Supreme Court, U.S.
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No._____

In the
SUPREME COURT OF THE UNITED STATES

Universe Sales Company, Ltd., Petitioner,

v.

Offshore Sportswear, Inc., Silver Castle, Ltd.,
and Offshore of California, Inc., Respondents.

On Petition for Writ of Certiorari to the
United States Court of Appeals
For the Ninth Circuit

PETITION FOR WRIT OF CERTIORARI

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April 2000

77 pgs

QUESTION PRESENTED

Whether a federal district court, in determining foreign law from a variety of materials and sources under Rule 44.1 of the Federal Rules of Civil Procedure, may reject a single "unrebutted" expert opinion as the correct statement of applicable foreign law when the other materials and sources before the court support a contrary conclusion.

CORPORATE DISCLOSURE STATEMENT

Petitioner Universe Sales Company, Ltd., has no parent corporation, and no publicly held company owns 10 percent or more of Universe's stock.

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IN THE SUPREME COURT OF THE UNITED STATES

Universe Sales Company, Ltd., Petitioner,

v.

Offshore Sportswear, Inc., Silver Castle, Ltd., and Offshore of California, Inc., Respondents.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

Universe Sales Company, Ltd., respectfully petitions for a writ of certiorari to review the judgment of the United States Court of Appeals for the Ninth Circuit in this case.

OPINIONS BELOW

The opinion of the court of appeals (Appendix,[1] page A1) is reported at 182 F.3d 1036 and 51 U.S.P.Q.2d 1197. The court of appeals' order denying rehearing en banc (A28) and the opinions of the district court (A15, A20, A22, A27) are unreported.

JURISDICTION

The court of appeals entered its judgment on June 25, 1999. (A1) The court of appeals entered its order denying

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[1]References to the Appendix are given in parentheses, with page numbers preceded by the letter "A."

Universe's petition for rehearing en banc on January 27, 2000. (A28) The jurisdiction of this court is invoked under 28 U.S.C. section 1254(1).

STATUTORY PROVISIONS INVOLVED

The following rule and statutes are set out verbatim in the Appendix:

- Federal Rules of Civil Procedure, Rule 44.1 (A30);
- Japanese Patent Law, Article 98(1)(i) (A31);
- Japanese Trademark Law, Article 35 (A31);
- Civil Code of Japan, Articles 559, 560 and 561 (A31).

The following documents regarding interpretation and application of Japanese law are also set forth verbatim in the Appendix:

- Quotation from 3 Horwitz, WORLD TRADEMARK LAW AND PRACTICE (rev. 2nd ed. 1999) sec. 8.04, at JAP 8-5 (A32);
- Letter dated March 12, 1997 from Fukami Patent Office (a Japanese law firm) to Yasuo Takase (A35);
- Declaration of Mitsuhiro Kamiya (a Japanese attorney) filed April 14, 1997 (A42).

STATEMENT

This action arises out of petitioner Universe Sales Company, Ltd.'s use of two Japanese trademarks in Japan under a license agreement. The primary issue in the case is whether Universe is obligated, under Japanese law, to pay royalties to respondents Offshore Sportswear, Inc., Silver Castle, Ltd., and Offshore of California, Inc. (hereafter collectively referred to as "OCI/Sportswear").[2] After considering a variety of materials and sources regarding the applicable Japanese law, the district court concluded that Universe is not obligated to pay royalties to OCI/Sportswear. The court of appeals reversed, holding that the district court incorrectly determined the applicable Japanese law.

A. The parties' dealings

The two trademarks at issue are Japanese Trademark Registration No. 1241239 (the "239 mark") and No. 1548758 (the "758 mark"). (A18) Yasuo Takase, an individual, and Daystar of California, a California corporation, jointly owned the two trademarks. Universe entered into an exclusive license agreement with Takase and Daystar, and agreed to pay royalties for use of the marks. (A15-A16)

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[2]The district court referred to respondents collectively as "OCI." The court of appeals referred to respondents collectively as "Sportswear," because Offshore of California, Inc. ("OCI") was acquired by Offshore Sportswear, Inc. and Silver Castle, Ltd,, whom the court of appeals regarded as the "true Appellants." (A2, fn. 1) In this petition, Universe will refer to respondents collectively as "OCI/Sportswear."

Daystar later attempted to assign its interest in the trademarks to OCI/Sportswear. (A15) After the purported assignment, Universe began paying royalties to OCI/Sportswear. (A15-A16) Universe stopped paying royalties to OCI/Sportswear when it determined that the assignment from Daystar to OCI/Sportswear was invalid. (A16)

B. Proceedings below

Universe filed this lawsuit in California state court on September 21, 1995, seeking declaratory relief and restitution of royalties it paid to OCI/Sportswear. (A3; A16) The case was removed to the United States District Court for the Central District of California on October 23, 1995. (A3) On November 3, 1995, OCI/Sportswear answered the complaint and counter-claimed seeking unpaid royalties and sums allegedly due for goods Universe purchased from OCI/Sportswear. (A16; A3) Universe filed a motion for summary judgment on January 13, 1997, and OCI/Sportswear filed a cross-motion for summary judgment the next day. (A3)

The primary issue the cross-motions for summary judgment raised was whether OCI/Sportswear had acquired the right to demand royalties for Universe's use of the trademarks—i.e., whether Daystar's attempted assignment of its interest in the

marks to OCI/Sportswear was effective.[3] The district court determined that because the trademarks are creatures of Japanese law, the validity of the assignment depends on compliance with Japanese law. (A16)

Rule 44.1 of the Federal Rules of Civil Procedure (A30) governs the determination of foreign law:

> A party who intends to raise an issue concerning the law of a foreign country shall give notice by pleadings or other reasonable written notice. The court, in determining foreign law, may consider any relevant material or source, including testimony, whether or not submitted by a party or admissible under the Federal Rules of Evidence. The court's determination shall be treated as a ruling on a question of law.

It is well-settled that in determining foreign law under Rule 44.1, the relevant materials and sources that may be considered include American treatises and opinion letters from foreign counsel. See, e.g., *Swiss Credit Bank v. Balink* (10th Cir. 1980) 614 F.2d 1269, 1271-1272 (opinion letter from party's legal counsel in

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[3]Although Daystar could have assigned OCI/Sportswear the right to receive royalties under the license agreement, separate and apart from any assignment of the trademarks themselves, the district court found that there was no separate assignment of rights under the license agreement. (A17, fn. 2) Thus, whether OCI/Sportswear acquired a right to royalties depends on the effectiveness of Daystar's attempted assignment of its interest in the trademarks.

Switzerland sufficient to establish Swiss law); 12A Federal Procedure, L.Ed. (1988) §33:597, at 44 (under Rule 44.1, courts may consider American law reviews and treatises discussing the foreign law in question).

In this case, Universe provided the district court with a variety of materials regarding Japanese trademark assignment law, including:

(a) The text of Article 98(1)(i) of the Japanese Patent Law (A31), which provides that transfer of a patent right is of no effect unless it is registered in the Patent Office of Japan ("POJ");

(b) The text of Article 35 of the Japanese Trademark Law (A31), which provides that Article 98(1)(i) of the Japanese Patent Law applies *mutatis mutandis* to trademark rights;

(c) The following statement regarding Japanese law (A32) from 3 Horwitz, WORLD TRADEMARK LAW AND PRACTICE (rev. 2nd ed. 1999) §8.04, at JAP 8-5: "The transfer of a trademark right including an assignment or a license for exclusive use is not effective until registered."; and

(d) A letter (A35) dated March 12, 1997, from Fukami Patent Office (a Japanese law firm) to Yasuo Takase, which states in relevant part:

> [U]nder Article 98(1)(i) of the Japanese Patent Law applied mutatis mutandis under Article 35 of the Japanese Trademark Law, a photocopy of an English translation of which is enclosed for your

> reference, in order to effectuate the assignment of the trademark registration, it is absolutely necessary to record the assignment . . . in the Japanese Patent Office.

OCI/Sportswear offered a contrary opinion in the Declaration of Mitsuhiro Kamiya (a Japanese attorney) filed April 14, 1997. (A42) Mr. Kamiya asserted that Japanese contract law—not Japanese trademark law—controls in the present situation. As support for this contention he relied on Article 560 of the Civil Code of Japan (A31), which provides that a seller of a third party's property has an obligation to acquire title to the property and transfer it to the buyer, and Article 561 of the Civil Code of Japan (A31), which provides that, in such a case, if the seller is unable to acquire title and transfer it to the buyer, the buyer may terminate the contract but may not seek damages if the buyer was aware that the seller did not have title when the contract was executed. Based on these principles, Mr. Kamiya concluded:

> [I]f the licensor under a license agreement can acquire proper title to the licensed trademark, the licensee will be unable to cancel the license agreement or refuse to pay royalties strictly on the grounds that the licensor was not the registered owner of the licensed trademark when the license agreement was executed. In other words, only if the licensor cannot acquire proper title from the

registered owner of the licensed trademark . . .

will the license agreement be terminable.

(A46, ¶7)

The district court concluded that the Japanese law specifically governing transfer of trademark rights controls—i.e., that the assignment from Daystar to OCI/Sportswear is effective only if the assignment was registered in the POJ. (A16) OCI/Sportswear admitted that the assignment of the 239 mark was not recorded in the POJ, and the district court found there was no sufficient evidence that the assignment of the 758 mark was recorded. (A16-A17) Accordingly, the district court granted Universe's motion for summary judgment and denied OCI/Sportswear's cross-motion, holding that Universe has no obligation to pay royalties to OCI/Sportswear and is entitled to restitution of royalties previously paid. (A18-A19) A judgment awarding Universe $60,285.09 and declaring that OCI/Sportswear is not entitled to any royalties from Universe was entered on May 19, 1997. (A20)

On May 30, 1997, OCI/Sportswear moved for reconsideration. (A3) The district court denied the motion except as to OCI/Sportswear's contention that the court failed to rule on its motion for summary judgment on its Sixth Counter-Claim for non-royalty damages (i.e., sums due for goods sold to Universe). The district court determined that Universe's claim for restitution of royalties and OCI/Sportswear's claim for non-royalty damages

essentially cancelled each other out, and that a revised judgment should be entered. (A25-A26) On August 6, 1997, the district court entered a new judgment in Universe's favor, but with no award of damages. (A27)

The court of appeals reversed the district court's grant of summary judgment to Universe. (A1) Its decision does not mention that the case involves an attempted assignment of trademark rights from Daystar to OCI/Sportswear, or the Japanese law stating that such an assignment is of no effect unless registered in the POJ. Instead, it focuses solely on the Kamiya declaration, which asserts that under general Japanese contract law a trademark licensee cannot cancel the license agreement or refuse to pay royalties on the ground that the licensor was not the trademark's registered owner when the license agreement was executed, unless it appears that the licensor "cannot" acquire proper title to the trademark from the registered owner. (A4-A5)

The court of appeals noted that the Kamiya declaration is "admissible" under Rule 44.1, that Universe failed to "present evidence that would rebut this portion of Kamiya's declaration regarding Japanese law," and that the district court performed no independent research of Japanese law. (A6) It therefore concluded: "Because the Kamiya declaration stands as an unrebutted presentation and interpretation of Japanese law, the district court erred in granting summary judgment to Universe." (A7) The court of appeals not only reversed the district court's

grant of summary judgment to Universe, but also granted OCI/Sportswear's cross-motion for summary judgment and remanded to the district court for reconsideration of damage issues only. (A9)

The court of appeals decision was not unanimous. Judge Ferguson's dissent argued that the district court appropriately conducted the Japanese law inquiry, and concluded that the Japanese trademark assignment law was dispositive. (A10-A11) Judge Ferguson found it inexplicable that the majority ignored the Japanese statutes expressly governing the transfer of trademark rights and accepted the Kamiya declaration. The dissent concluded: "The majority opinion's rejection of the district court's efforts and substitution of one lawyer's statement of what the law is adopts a dangerous precedent for future cases involving determination of foreign law." (A14)

REASONS FOR GRANTING THE PETITION

A. The court of appeals' decision conflicts with decisions in other circuits.

The federal courts have long held that judges are not bound to accept expert opinion regarding foreign law. *Usatorre v. The Victoria* (2nd Cir. 1949) 172 F.2d 434, 438-439, stated: "The judge is not bound to accept the testimony of a witness concerning the meaning of the laws of a foreign country." *Daniel Lumber Co. v. Empresas Hondurenas, S.A.* (5th Cir. 1954) 215 F.2d 465, 470, stated: "Once the foreign statutes had been proved, the district

court had the duty of construing them for itself with the aid of but without being bound by the opinions of the expert witnesses." And *St. Pierre v. Dyer* (N.D.N.Y. 1998) 21 F.Supp.2d 138, 143, stated: "When presented, the court may give an expert opinion [concerning foreign law] whatever probative value it deems warranted under the circumstances."

The Fifth Circuit held that the foregoing rule applies even when the expert opinion regarding foreign law is uncontradicted.

> Although expert testimony is the most common way to determine foreign law, it is no longer "an invariable necessity in establishing foreign law, and indeed, federal judges may reject even the uncontradicted conclusions of an expert witness and reach their own decisions on the basis of independent examination of foreign legal authorities."
>
> *Trans Chemical, Ltd. v. China Nat'l Mach. Import and Export Corp.* (5th Cir. 1998) 161 F.3d 314, 319, adopting *In re Arbitration Between: Trans Chemical, Ltd. and China Nat'l Mach. Import and Export Corp.* (S.D.Tex. 1997) 978 F.Supp. 266, 275, quoting from *Curtis v. Beatrice Foods Co.* (S.D.N.Y. 1980) 481 F.Supp. 1275, 1285, aff'd mem. 633 F.2d 203 (2nd Cir. 1980).

The Third Circuit quoted the foregoing passage from

Trans Chemical with approval in *Inter Medical Supplies, Ltd. v. EBI Medical Systems, Inc.* (3rd Cir. 1999) 181 F.3d 446, 459.

The court of appeals' decision conflicts with the rule set forth in *Trans Chemical*. It states that the district court erred in granting summary judgment to Universe "because" the Kamiya declaration was an "unrebutted" presentation and interpretation of Japanese law. (A7) Moreover, the court of appeals did not remand the case for the district court's further consideration of Japanese law, or engage in any such research or analysis itself. Instead, it reversed the grant of summary judgment to Universe and granted OCI/Sportswear's cross-motion for summary judgment *solely* on the basis of the "unrebutted" Kamiya declaration. The court of appeals decision thus creates a precedent at odds with *Trans Chemical*.

B. The court of appeals' decision is erroneous.

The court of appeals' decision is erroneous in several respects. First, Rule 44.1 of the Federal Rules of Civil Procedure explicitly states that a court's determination of foreign law is a ruling on a question of law, not a question of fact. *Trans Chemical* and other decisions holding that a district court is not bound by an expert's opinion as to foreign law are consistent with this rule—i.e., they leave the law's determination to the court. The court of appeals' decision, on the other hand, treats determination of foreign law more like a question of fact. Its opinion emphasizes that the Kamiya declaration was "admissible"

and "unrebutted," much as one would discuss a declaration setting forth purely factual material. District courts should be free to exercise the full authority and discretion afforded them under Rule 44.1, rather than be constrained to accept an "unrebutted" expert opinion regarding foreign law.

Second, the Kamiya declaration was "unrebutted" only in the narrowest sense. OCI/Sportswear's claim of entitlement to royalties from Universe is based on Daystar's attempted assignment of its rights in the trademarks to OCI/Sportswear. In other words, OCI/Sportswear contends that it became the licensor because of the assignment. Universe offered Japanese statutes specifically concerned with transfer of trademark rights, an American treatise, and an opinion letter from a Japanese law firm, all showing that Daystar's attempted assignment to OCI/Sportswear is ineffective because the assignment was not recorded in the POJ. Universe submits that these materials constituted a "rebuttal" to the Kamiya declaration's assertion that OCI/Sportswear is entitled to royalties as licensor under general principles of Japanese contract law.

Finally, the court of appeals erred in accepting the Kamiya declaration as an accurate statement and analysis of the applicable Japanese law. Regarding the applicability of Japanese contract law rather than Japanese trademark law, Mr. Kamiya stated:

> [A] lawsuit concerning a breach of license agreement in Japan involving trademarks is not

> controlled by the Japanese Trademark Law. Instead, since the duties and obligations arise under the license agreement, Japanese contract law is dispositive. The instant lawsuit between Universe and OCI, the parties to the License Agreement, is based entirely on the validity and enforceability of the License Agreement. (A44-A45, ¶5)

By assuming that OCI/Sportswear is a party to the license agreement, this statement puts the cart before the horse. The issue is not the validity and enforceability of the license agreement, which Universe has never challenged. Rather, the issue is whether OCI/Sportswear ever *became* the licensor—i.e., the party entitled to royalties under that agreement. Absent an effective assignment of the trademark rights, OCI/Sportswear did not become the licensor.

Mr. Kamiya's analysis under Japanese contract law is equally inapposite. His conclusion that Universe may refuse to pay royalties to OCI/Sportswear only if OCI/Sportswear "cannot" obtain proper title to the trademarks (regardless of whether it has such title when the royalties are allegedly due) is based on Articles 560 and 561 of the Japanese Civil Code (A31), which govern situations in which one without title transfers a third party's property. (A45-A46, ¶¶6-7) Nothing of the sort took place in this case. Universe obtained its license to use the trademarks from

Daystar and Mr. Takase, the marks' registered owners, and has never contended that the license agreement is invalid. The issue before the district court was whether OCI/Sportswear later became a licensor entitled to royalties by virtue of Daystar's attempted assignment. Mr. Kamiya's analysis—based on sale of a third party's property by one without title—appears to have no bearing on this issue.

The foregoing demonstrates that the district court had good reason not to accept the Kamiya declaration as an accurate statement and analysis of the applicable Japanese law. It also illustrates why courts must be free to reject even "unrebutted" expert opinion when determining foreign law.

C. The issue is important.

Federal district courts are regularly called upon to determine foreign law that governs cases before them. Until the court of appeals' decision in this case, no federal appellate opinion of which Universe is aware had even suggested that a district court must accept an "unrebutted" expert opinion, particularly when other materials and sources indicating the applicable foreign law are available. But under the court of appeals' decision, district courts in the Ninth Circuit will feel constrained to accept as determinative of a foreign law issue an expert opinion that can in any way be characterized as "unrebutted." Review and reversal of the decision below is important so that issues of foreign law are determined in accordance with the same principles in all circuits.

CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted,

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April 2000

APPENDIX

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U.S. 9th Circuit Court of Appeals

UNIVERSE SALES v SILVER CASTLE
9756415

UNIVERSE SALES COMPANY, LTD.,
Plaintiff-Counter-Defendant-Appellee,

v.

SILVER CASTLE, LTD.,
Defendant-Appellant,
OFFSHORE SPORTSWEAR, INC.,

Defendant-Counter-Claimant-Appellant,

OFFSHORE OF CALIFORNIA,
Appellant.
_____/

No. 97-56415

D.C. No. CV-95-00932-GLT

OPINION

Appeal from the United States District Court
for the Central District of California
Gary L. Taylor, District Judge, Presiding

Argued and Submitted
March 4, 1999—Pasadena, California

Filed June 25, 1999

Before: Warren J. Ferguson, Melvin Brunetti, and Thomas G. Nelson, Circuit Judges.

Opinion by Judge Brunetti; Dissent by Judge Ferguson

COUNSEL

C. Dennis Loomis, Troop Meisinger Steuber & Pasich, Los Angeles, California, for the defendants-appellants-counter-claimant.

Clifford W. Roberts, Jr., Roberts & Associates, Tustin, California, for the plaintiff-counter-defendant-appellee.

OPINION

BRUNETTI, Circuit Judge:

Offshore Sportswear, Inc. et al. ("Sportswear")[1] appeals the district court's order granting summary judgment to plaintiff Universe Sales Co. ("Universe") and denying Sportswear's cross-motion for summary judgment, in Universe's diversity action claiming that Sportswear was unjustly enriched. We have jurisdiction pursuant to 28 U.S.C. S 1291. We review the district

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[1]The parties and the district court refer to the Appellants as Offshore of California, Inc. ("OCI"). OCI was acquired by Offshore Sportswear, Inc., et. al. ("Sportswear") -- the true Appellants here. We therefore refer to the Appellants as "Sportswear". For the purposes of this opinion, however, Sportswear may be construed as synonymous with OCI.

court's grant of summary judgment de novo, see Margolis v. Ryan, 140 F.3d 850, 852 (9th Cir. 1998), and we reverse.

I.

Universe filed this lawsuit on September 21, 1995 in California state court, seeking restitution for royalties it had paid to OCI -- a company that allegedly did not own the two trademarks at issue (the "Marks"). The case was removed to the United States District Court for the Central District of California on October 23, 1995. On November 3, 1995, Sportswear filed an answer together with counterclaims seeking unpaid royalties and $19,008 allegedly due on goods Universe bought from OCI in 1994.

On January 13, 1997, Universe filed a motion for summary judgment. Sportswear filed a cross-motion for summary judgment the next day. After many briefs were filed and the district court judge held two hearings, the court granted Universe's motion for summary judgment and denied Sportswear's motion. The district court held that the evidence that had been submitted by Sportswear was insufficient to prove that all Japanese Patent Office formalities had been completed, and therefore, the court concluded as a matter of law that Universe had no obligation to pay royalties to Sportswear for the use of the Marks. The district court, on May 19, 1997, entered a judgment in favor of Universe

that ordered Sportswear to pay restitution of royalties in the sum of $60,285.09 plus interest.

On May 30, 1997, Sportswear filed a Motion for Reconsideration which argued that the court had failed to consider certain evidence submitted by Sportswear and that the court had failed to consider Sportswear's non-royalty damage claim of $19,000. After a hearing, the court granted in part and denied in part the motion for reconsideration. The court did not modify its original ruling that Universe had no duty to pay royalties. The court did, however, vacate the portion of its original ruling granting restitution. The court concluded that Sportswear's counterclaim for the price of goods sold would "be a wash" as against Universe's claim for restitution. The court therefore granted Universe's summary judgment motion but awarded no damages to Universe. Sportswear appealed.

II.

The district court analyzed the royalty issue that is in dispute under Japanese trademark law, and found that Universe is not obligated to pay royalties to Sportswear. Sportswear argues, inter alia, that the district court erred because it failed to consider properly the Declaration of Mitsuhiro Kamiya, a Japanese attorney who specializes in Japanese trademark and contract law.

Specifically, Sportswear contends that the Kamiya declaration establishes that Japanese contract law controls in this scenario and that under that body of law the License Agreement executed by Universe, Yasuo Takase and Daystar of California, is a valid and enforceable agreement such that Sportswear is now entitled to receive past royalties due from Universe. According to Sportswear, because the Kamiya declaration has not been not been rebutted by Universe the district court erred in concluding that under Japanese law Universe is not obligated to make royalty payments. We agree with Sportswear's arguments regarding the district court's failure properly to take the Kamiya declaration into account.

The Kamiya declaration states that Japanese contract law, not Japanese trademark law, is controlling in this situation. Under Japanese contract law, explains the declaration, the License Agreement is both valid and enforceable, and as such requires that Universe make royalty payments to Sportswear. According to the declaration, under Japanese contract law a "licensee will be unable to cancel the license agreement or refuse to pay royalties strictly on the grounds that the licensor was not the registered owner of the licensed trademark when the license agreement was executed. In other words, only if the licensor cannot acquire proper title from the registered owner of the licensed trademark . . . . will the license agreement be terminable." Here, the declaration states,

Sportswear can and has obtained proper title of the two trademarks at issue, and therefore is entitled to collect royalty payments from Universe.

[1] The Kamiya declaration is admissible pursuant to Federal Rule of Civil Procedure Rule 44.1, which provides, in relevant part: "The court, in determining foreign law, may consider any relevant material or source, including testimony, whether or not submitted by a party or admissible under the Federal Rules of Evidence." Fed. R. Civ. P. 44.1. Rule 44.1 allows courts to consider a wide array of materials in order to ascertain foreign law. See 9 Charles Alan Wright & Arthur R. Miller, Federal Practice and Procedure: Civil S 2444 (2d ed. 1995) (courts may "consider any relevant material or source, including testimony, without regard to whether the material considered would be admissible under the Federal Rules of Evidence"). In addition, courts may do their own research in order to ascertain foreign law. Id. Although, pursuant to Rule 44.1, courts may ascertain foreign law through numerous means, expert testimony accompanied by extracts from foreign legal materials has been and will likely continue to be the basic mode of proving foreign law. Id.

[2] In this case, the expert testimony of Kamiya, in the form of a declaration with attached exhibits, was submitted by Sportswear. As discussed above, the declaration reasons that Japanese contract

law applies, and under that body of law, Universe is obligated to pay royalties to Sportswear. Although Universe had numerous opportunities to present evidence that would rebut this portion of Kamiya's declaration regarding Japanese law, Universe introduced nothing. Also, the district court performed no independent research of Japanese law. The district court should have considered the fact that the Kamiya declaration states that Japanese contract law is controlling. The district court then could have instructed the parties to present further evidence regarding the interpretation of Japanese law on that point; or, the district court may have performed its own research. Because the Kamiya declaration stands as an urebutted presentation and interpretation of Japanese law, the district court erred in granting summary judgment to Universe.

The dissent contends that our opinion conflicts with the case of Trans Chem. Ltd. v. China Nat'l Mach. Import & Export Corp., 161 F.3d 314, 319 (5th Cir. 1998), adopting In re. Arbitration between: Trans Chem. Ltd. & China Nat'l Mach. Import & Export Corp., 978 F. Supp. 266, 275 (S.D. Tex. 1997). To the contrary, that case is easily distinguished. In Trans Chem., the district court analyzed numerous materials in its effort to ascertain Chinese law on the relevant issue. Specifically, the district court analyzed the testimony of three separate experts who opined on Chinese law; the court also performed its own research on Chinese law by

analyzing the Chinese Constitution and numerous other relevant Chinese laws. See Trans Chem., 978 F. Supp. At 278-290. After analyzing the expert testimony and performing its own research, the district court reached a conclusion as to the meaning of Chinese law. Here, in contrast, there is no indication in the record that the district court performed anything close to such careful and extensive analysis, as the dissent would have us believe. The district court did not, before making its determination regarding the relevance and meaning of Japanese law, analyze Kamiya's argument regarding Japanese contract law,[2] encourage Universe to submit anything to counter Kamiya's argument, or perform any independent research on the issue. This case is simply different than Trans Chem. The dissent states that it is both amazing and unprecedented that we have determined that the district court did not do an adequate job in its effort to ascertain the relevant law, and have accepted the testimony of an expert to establish that law. We must point out, however, that it is not novel for an appellate court in this context to determine that a district court performed an inadequate inquiry. See, e.g., Twohy v. First National Bank of Chicago, 758 F.2d 1185, 1193 (7th Cir. 1985) (although district court considered a series of affidavits of foreign law experts

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[2]We can find no indication in the record, at least, that the district court considered that portion of the declaration. The district court, it appears, decided early on that Japanese trademark law applied, and then never strayed from that reasoning.

concerning issues of Spanish law relevant to the case, appellate court determined that district court should have demanded a more complete presentation by counsel on Spanish law or conducted independent research). Also, it is neither novel nor remarkable for a court to accept the uncontradicted testimony of an expert to establish the relevant foreign law. See , e.g., Golden Trade v. Lee Apparel Co., 143 F.R.D. 514, 524 (S.D. New York 1992) (court declined to question uncontradicted expert testimony as to both the state of Norwegian law and the facts relevant to the application of that law).

We therefore REVERSE the district court's grant of summary judgment to Universe, GRANT Sportswear's crossmotion for summary judgment, and REMAND to the district court to reconsider consistent with this memorandum any remaining damages issues.

REVERSED and REMANDED.

FERGUSON, Circuit Judge, dissenting:

I dissent from the majority's determination to reverse the district court's grant of summary judgment in favor of Universe Sales Co.

(Universe) and grant summary judgment in favor of Offshore Sportswear, Inc. (Sportswear). I do so because the record is clear that the district court thoroughly investigated the foreign law issue here and then appropriately determined that summary judgment was warranted in favor of Universe. In fact, the district court did everything the majority opinion now claims the court should have done.

"Foreign law, though formerly treated as an issue of fact, is now recognized as an issue of law, to be established by any relevant source, including testimony." United States v. Peterson, 812 F.2d 486, 490 (9th Cir. 1987) (citing Fed. R. Civ. P. 44.1). As the Fifth Circuit has noted, "[t]he necessity of sifting through foreign law does not mitigate against the use of summary proceedings." Banco de Credito Indus., S.A. v. Tesoreria General, 990 F.2d 827, 838 (5th Cir. 1993). Thus, the majority is correct that the Kamiya declaration is admissible and a proper consideration on summary judgment. However, reversing the grant of summary judgment in favor of Universe Sales and granting summary judgment for Offshore Sportswear is wrong.

The district court appropriately conducted the Japanese law inquiry. Contrary to the majority's assertions, the district court conducted a thorough inquiry into the Japanese law issue: After determining that the issue of Japanese law was not clear from the

parties' initial pleadings, the court requested further evidence and briefing regarding the requirements of Japanese law. The parties submitted such further evidence, and the district court made its determination from a consideration of that evidence. That course of proceeding is entirely appropriate under the Federal Rules. See 9 Charles Alan Wright & Arthur R. Miller, Federal Practice and Procedure: Civil S 2444, at 652 (2d ed. 1995) (stating that if the evidence is inconclusive, "the court should request a further showing by counsel, engage in its own research, or direct that a hearing be held, with or without oral testimony, to resolve the issue"). Just because the district court did not blindly adopt one legal expert's analysis does not mean that the district court failed in its responsibilities. In fact, I am at a loss to imagine what more the majority expected the district court to do other than specifically spell out every detail of its reasoning process -- e.g., "I considered sentence one of declaration A, and I reject it. I considered sentence two, and I accept that."

Furthermore, on appeal, our duty is to determine whether the district court was correct in its legal ruling. See Peterson, 812 F.2d at 490 ("As an appellate court, we are able to determine the relevant legal standards."); Kalmich v. Bruno, 553 F.2d 549, 552 (7th Cir. 1977) (stating that "the resolution of [the foreign law issue is one] which we are free to arrive at on the basis of our own independent research and analysis"). We cannot escape that duty

by stating that the district court should have merely accepted the testimony of an attorney because the court failed to ask for even more testimony on the issue. In fact, I am amazed that the majority now holds that district court judges cannot determine what the applicable foreign law is but must be bound by what an attorney declares what the law is, as long as that attorney's declaration has not been specifically rebutted. Besides flouting the tautological principle that judges (not attorneys) determine law, the court today unnecessarily creates a conflict with the only other circuit to have considered this issue. See Trans Chem. Ltd. v. China Nat'l Mach. Import & Export Corp., 161 F.3d 314, 319 (5th Cir. 1998), adopting In re Arbitration Between: Trans Chem. Ltd. & China Nat'l Mach. Import & Export Corp. , 978 F. Supp. 266, 275 (S.D. Tex. 1997) ("[F]ederal judges may reject even the uncontradicted conclusions of an expert witness and reach their own decisions on the basis of independent examination of foreign legal authorities."). Rather than castigating the district court for not doing enough and then for some reason blindly accepting one side's version of the law, this court should weigh the testimony as gathered by the district court and make its own determination on the legal issue.

If the majority were to do just that, it would be clear that the district court made the correct determination. The Kamiya declaration was before it, and it chose to rely on part of the

declaration but not all of it. Instead, the court based its conclusion on other evidence in the record regarding Japanese law, evidence that I find conclusive on the issue. The trademarks at issue here are creatures of Japanese law. Under Japanese law, a transfer in ownership of a trademark must be registered with the Japanese patent office. See Article 98 of Japanese Patent Law ("(1) The following shall be of no effect unless they are registered: (i) transfers . . . , extinguishment by surrender or restrictions on disposal of a patent right."). Likewise, any transfer of a trademark right must also be registered in accordance with Article 98. See Article 35 of Japanese Trademark Law ("Section 98(1)(i) and (2) (effects of registration) of the Patent Law shall apply mutatis mutandis [with the necessary changes in points of details] to trademark rights."). Thus, the transfer of the right to receive royalties could not have taken place solely in a contract; rather, it must have been registered with the Japanese patent office. Inexplicably ignoring these relevant statutes, the majority accepts the Kamiya declaration and holds that registration of trademarks in Japan is now virtually irrelevant in the Ninth Circuit.

Using the statutorily derived analysis I have set forth here, the relevant question in this case is whether the trademark transfer was properly registered with the patent office. It is undisputed that trademark 239 was not properly registered. Regarding trademark 758, the district court properly concluded that the evidence

submitted by Sportswear did not show that the trademark was registered, as the evidence merely showed that Sportswear (at the time, Offshore of California) was listed as an owner of the trademark. Sportswear did not produce any evidence to show that such a listing means that the trademark transfer itself was actually recorded with the patent office.

Accordingly, the majority errs in reversing the district court's grant of summary judgment in favor of Universe and granting Sportswear's cross-motion for summary judgment. The majority's fundamental flaw in its analysis is its acceptance of the Kamiya declaration. The district court was entitled to reject the analysis in that declaration because the record shows that Japanese statutory trademark law applies. The district court did all the majority says that it should have done in investigating the issue of Japanese law. The majority opinion's rejection of the district court's efforts and substitution of one lawyer's statement of what the law is adopts a dangerous precedent for future cases involving determinations of foreign law.

I therefore respectfully dissent.

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

UNIVERSE SALES CO., LTD., a Foreign Corporation,

Plaintiff,

vs.

OFFSHORE SPORTSWEAR, INC., a California Corporation, et al.,

Defendants.
_____/

AND RELATED COUNTER-CLAIMS.
_____/

Case No. SA CV 95-0932-GLT (EEx)

ORDER GRANTING PLAINTIFF'S MOTION FOR SUMMARY JUDGMENT

Plaintiff Universe Sales, Co., Ltd.'s motion for summary judgment is GRANTED. Defendants' motion for summary judgment is DENIED.

This case involves a license agreement for certain Japanese trademark rights. Universe entered an exclusive licensing agreement ("Agreement") with the joint-owners of the marks. The joint-owners were Yasuo Takase, an individual, and Daystar of California, a California corporation. Daystar is now bankrupt. Daystar purported to assign its interest in the trademark rights to Offshore of California, Inc. ("OCI).

Under the Agreement, Universe was to pay royalties to

Daystar and Takase. After the purported assignment, Universe began paying royalties to OCI. At some point Universe ceased paying royalties. Universe now contends the assignment to OCI was invalid, and filed this declaratory judgment action to that effect. It also seeks restitution of the amount paid to OCI. OCI counter-claimed alleging Universe breached the Agreement and seeks payment of the royalties due under the contract.

At the earlier hearing, the Court held that, to be valid, the assignment was required to comply with Japanese trademark assignment law. Although the parties agreed the assignment would be governed by California law, the Court determined it was necessary to comply with Japanese trademark assignment law to protect the validity of the trademark.

Universe raised two issues about the validity of the assignment under Japanese law. Japanese trademark law apparently requires co-owners of a trademark to agree to any assignment.[1] In addition, an assignment of trademark rights must be registered with the Patent Office of Japan ("POJ").

Takase and Daystar co-owned several different trademarks and eight to ten trademarks were subject to the Licence Agreement and the assignment. However, the parties agree this litigation involves only two trademarks: 1241239 and 1548758. Takase consented in writing to the assignment of each of these

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[1] Declaration of Mitsuhiro Kamiya, ¶ 5.

trademarks.[2] The only issue, therefore, is whether the assignments were duly registered in accordance with Japanese trademark assignment law..

OCI contends the assignment of trademark 1548758 was registered with the POJ. As circumstantial evidence of registration, OCI submits a copy of the Japanese trademark registry, listing the owners of the mark as Takase and OCI. OCI asserts it could not appear as the registered owner if the assignment had not been registered. But, that proposition is not self-evident, and OCI submits no Japanese authority in support of that proposition. Without evidence of the recorded assignment, the Court cannot determine OCI validity appears as the registered owner of trademark 1548758. Universe was not a party to the assignment transaction and must rely on the official Japanese record to protect its rights under the Agreement. The value of the marks to OCI is their compliance with Japanese trademark law. OCI has submitted no sufficient evidence the assignment was recorded. Under the available evidence,[3] the Court concludes the assignment of trademark 1548758 is invalid and Universe has no obligation to pay royalties to OCI for its use of that mark.

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[2] Initially Universe contended Takase had not consented to the assignment. OCI submitted documents signed by Takase consenting to the assignment of both trademarks without objection.

[3] This matter has been before the court several times, and there has been ample opportunity for the parties to gather any available evidence.

OCI has submitted no evidence of recordation with respect to trademark 1241239. OCI asserts it submitted the assignment (through Japanese counsel) to the POJ for recording but the assignment was returned unregistered because Takase failed to sign a power of attorney which was necessary to record the transaction. As OCI admits the assignment of trademark 1241239 was not recorded, the Court finds that assignment is invalid as well.

OCI maintains the failure to register a trademark is not fatal to OCI's entitlement to royalties. Citing general principles of contract law, OCI asserts it can affect "perfect title" to the trademark by now recording the assignment. Because Universe has received the benefit of the exclusive licensing agreement during the time since the assignment, OCI argues, Universe cannot avoid the duty to pay royalties to OCI.

Arguably, Universe has an obligation to pay royalties to someone because it has had the benefit of the exclusive license. The question is not whether the License Agreement, to which Universe is a party, is valid. The question is the ownership of the trademarks, and whether the assignments of the trademarks to which Universe was not a party, are valid. Universe cannot be expected to pay royalties to a party which doesn't own the trademarks. Universe's actions do not affect the validity of the assignments or ownership of the trademarks unless OCI demonstrates the valid assignments of the marks to it, the party to

whom royalties were owed is not OCI.

OCI finally argues documents are pending with the POJ to register the assignment of trademark 1241239. Setting aside the question of whether this assignment will ever be registered, it appears Japanese law would render the assignment valid as of the date of recordation. A recordation would appear to have no retroactive effect. At most, then, OCI would be entitled to future royalties, but would have no right to past royalties. As a result, Universe has no obligation to pay any royalties to OCI and is entitled to receive as restitution any amount previously paid to OCI.

Universe's motion for summary judgment is GRANTED. OCI's motion for summary judgment or summary adjudication is DENIED.

The proposed judgment, as modified, is signed. The court does not adjudicated defendants' interest, or any contract or equitable rights, concerning Takase or Daystar.

DATED: May 15, 1997.

GARY L. TAYLOR
UNITED STATES DISTRICT COURT JUDGE

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UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

UNIVERSE SALES CO., LTD., a Foreign Corporation,

Plaintiff,

vs.

OFFSHORE SPORTSWEAR, INC., a California Corporation; SILVER CASTLE, LTD., a California Corporation; GEORGE KAZANTZIS, an individual; ROBERT T. SANTELLI, an individual; GULU WATUMUL, an individual and shareholder of OSI and SILVER CASTLE; and DOES 1 through 25, Inclusive,

Defendants.
_____/

Case No. SA CV 95-0932-GLT (EEx)

JUDGMENT

OFFSHORE OF CALIFORNIA, INC. AND OFFSHORE, INC.,

Counter Claimants,

vs.

UNIVERSE SALES CO., LTD, a foreign corporation, GEORGE STAPCHUCK, sometimes known as E. GEORGE STAPCHUCK, JR., an individual and SUN OVER SEA, INC., a corporation,

Counter Defendants.
_____/

This action came on for hearing before the Court on February 3, 1997, the Honorable GARY L. TAYLOR, District Judge Presiding, on a Motion for Summary Judgment, and the evidence presented having been fully considered, the issues having been duly heard and a decision having been duly rendered.

IT IS ORDERED, ADJUDGED AND DECREED that Plaintiff, UNIVERSE SALES CO., LTD., have and recover from Defendants the sum of $60,285.09, together with interest thereon at the legal rate from January 31, 1994 until paid.

IT IS FURTHER ADJUDGED AND DECREED that Defendants OFFSHORE OF CALIFORNIA, INC. and OFFSHORE, INC. are not entitled to any royalties from Plaintiff.

Dated: May 15, 1997

GARY L. TAYLOR
United States District Judge

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

UNIVERSE SALES CO., LTD., Plaintiff, vs. OFFSHORE SPORTSWEAR, INC., et al., Defendants. _____/	Case No. SA CV 95-0932-GLT (EEx) ORDER GRANTING IN PART AND DENYING IN PART DEFENDANTS' MOTION FOR RECONSIDERATION

Defendants' motion for reconsideration is GRANTED IN PART AND DENIED IN PART.

Federal Rule of Civil Procedure 59(e) and Local Rule 7.16 permit reconsideration of an order issued by the court upon "a manifest showing of a failure to consider material facts presented to the Court before such a decision." Local Rule 7.16(c). Defendant Offshore of California, Inc. ("OCI") asserts the court failed to consider material factual evidence before granting plaintiff Universe Sales Co., Ltd.'s motion for summary judgment.

This case arises out of a licensing agreement. Daystar of California, a California corporation, and Yasuo Takase jointly owned certain Japanese trademarks. Daystar granted Universe an

exclusive license to use these trademarks.[1] Under the licensing agreement, Universe was to pay royalties to Daystar. Daystar later purported to assign the trademarks to OCI. As explained in the Order Granting Plaintiff's Motion for Summary Judgment, the Court determined the assignment must comply with Japanese trademark assignment law to be effective.[2] Japanese law requires consent of joint trademark owners to assign a mark and requires the assignment to be registered with the Patent Office of Japan. The Court found OCI submitted no evidence the assignment was registered, and granted Universe' motion.

OCI cites several declarations in support of its contention the assignment of one trademark was registered.[3] These

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[1] OCI notes the Court incorrectly stated in the Order Granting Plaintiff's Motion for Summary Judgment that Universe was to pay royalties to Daystar and Takase. OCI does not contend, however, the Court's mischaracterization of the licensing agreement materially alters the outcome of the motions for summary judgment. Assuming OCI is correct, this error does not justify reconsideration of the Order because the Court's decision registered on the validity of the assignment of Japanese trademark rights, not the language or interpretation of the licensing agreement.

[2] The Bernards declaration, which OCI contends the courts overlooked, is not material to the Court's decision. Bernards contends Daystar assigned it rights under the license agreement separate from the trademark rights itself. The assignment document, however, establishes the assignment was of the "trademarks, the registrations thereof and the good will of the business appertaining thereto. . . ." The licensing rights were included in this assignment, they were not part of a separate contract. As Bernards himself states, the rights under the license agreement were assigned as part of Daystar's "right title and interest" in the trademarks. Bernards decl., p.2, ¶4. There is no separate assignment of the rights under the license agreement.

[3] It is uncontested that the assignment of the other of the two trademarks at issue in this case was not registered.

declarations state the assignment was registered with the POJ. As evidence of registration, the declarations cite the fact OCI appears as the registered co-owner of the trademark with the POJ. As the Court explained, the proposition OCI would only appear as a registered owner of the trademark if the assignment had been recorded "is not self-evident, and OCI [submitted] no Japanese authority in support of that proposition." Order, p. 3, 7-8. The court considered the declarations OCI cites and concluded they were insufficient to establish recordation. As a result, the declarations do not justify reconsideration.

At the hearing on this matter, OCI asserted it had submitted a copy of the registered assignment to the Court in support of its motion for summary judgment. Specifically, counsel referred to Exhibit 3 to the Declaration of Mitsuhiro Kamiya and a document it lodged with the Court on June 23, 1997. Exhibit 3 to the Kamiya Declaration is the assignment itself. There is nothing on the face of the document to demonstrate it was registered with the POJ.

The document lodged with the Court on June 23, 1997 is a certified copy of the Japanese Trademark Registry showing OCI is the joint owner of the trademark at issue. This document does not sufficiently evidence the registration of the assignment. OCI has submitted no Japanese law for the proposition OCI would only appear as the registered co-owner if the assignment was properly registered. The certified copy of the registry is of no assistance to

OCI in its attempts to establish the assignment was effective.

OCI also contends the Court failed to rule on certain evidentiary objections. Because the Court ruled on the basis of evidence (and the lack thereof) submitted by OCI, OCI's objections to evidence submitted by Universe were irrelevant to the Court's decision. OCI does not identify any objectionable evidence cited by the Court in the Order. The failure to specifically rule on OCI's evidentiary objections does not provide grounds for reconsideration.

OCI further contends the Court failed to consider evidence submitted in its statement of genuine issues disputing the amount Universe claimed to have paid to OCI in royalties before discovering the defect in OCI's assignment.[4] OCI did not argue this issue in its Memorandum of Points and Authorities, so the Court did not consider the issue. Similarly, OCI asserts it moved for summary judgment on its non-royalty damage claim (its Sixth Counter-Claim) and the Court failed to rule on its motion. These issues were briefly addressed by OCI in its moving papers, but little evidence or argument was submitted in support of the issue.

At the hearing on this matter, it became apparent that in terms of damages, these remaining issues essentially cancel one another out. The Court will therefore enter a revised judgement

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[4] The Court ruled Universe was entitled to a refund of any royalties paid because OCI did not hold a valid assignment when it received those royalties.

closing out this case establishing Universe as the prevailing party but omitting the amount of damages awarded. This revised judgment will be entered in ten (10) days unless the Court receives an objection from any party.

The motion for reconsideration is GRANTED IN PART AND DENIED IN PART.

DATED: July 5, 1997

GARY L. TAYLOR
UNITED STATES DISTRICT JUDGE

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

UNIVERSE SALES CO., LTD.,	Case No. SA CV 95-0932-GLT (EEx)
Plaintiff,	JUDGMENT
vs.	
OFFSHORE SPORTSWEAR, INC., et al.,	
Defendants.	

The Court VACATES the judgment entered May 15, 1997. Judgment is entered in favor of plaintiff Universe Sales, Co., Ltd. and against defendants Offshore Sportswear, Inc., Silver Castle, Ltd. and Offshore of California, Inc. No damages are awarded.

DATED: August 1, 1997.

GARY L. TAYLOR
UNITED STATES DISTRICT COURT JUDGE

NOT FOR PUBLICATION

UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

UNIVERSE SALES COMPANY, LTD.,

Plaintiff-Counter-Defendant-Appellee,

vs.

SILVER CASTLE, LTD.,

Defendant-Appellant

OFFSHORE SPORTSWEAR, INC.,

Defendant-Counter-Claimant-Appellant,

OFFSHORE OF CALIFORNIA

Appellant.

_____/

No. 97-56415
D.C. No. CV-95-00932-GLT

ORDER

Before: FERGUSON, BRUNETTI, AND T.G. NELSON, Circuit Judges.

Judge Brunetti[1] and Judge T.G. Nelson have voted to deny appellee Universe Sales Company, Ltd.'s petition for rehearing en banc filed July 12, 1999. Judge Ferguson has voted to recommend granting the petition for rehearing en banc.

The full court was advised of the suggestion for rehearing en banc. A senior judge requested a vote on whether to rehear the matter en banc. The matter failed to receive a majority of the votes of the nonrecused active judges in favor of en banc consideration. Fed.R.App.P.35.

The petition for rehearing en banc is denied.

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[1] Judge Brunetti voted to deny the petition for rehearing en banc while he was an active judge.

FEDERAL RULES OF CIVIL PROCEDURE

FOREIGN LAW DETERMINATION

Rule 44.1. Determination of Foreign Law

A party who intends to raise an issue concerning the law of a foreign country shall give notice by pleadings or other reasonable written notice. The court, in determining foreign law, may consider any relevant material or source, including testimony, whether or not submitted by a party or admissible under the Federal Rules of Evidence. The court's determination shall be treated as a ruling on a question of law.

(Amended July 1, 1966; July 1, 1975; Aug.1, 1987.)

Japanese Patent Law, Article 98 (in relevant part):

(1) The following shall be of no effect unless they are registered: (i) transfers (otherwise than by inheritance or other general succession), extinguishment by surrender or restrictions on disposal of a patent right.

Japanese Trademark Law, Article 35:

Section 98(1)(i) and (2) (effects of registration) of the Patent Law shall apply mutatis mutandis to trademark rights.

THE CIVIL CODE OF JAPAN

Section 3 Sale

Sub-Section 1 General Provisions

(Application mutatis mutandis to contracts for value)

Article 559. The provisions of this Section shall apply mutatis mutandis to contracts for value other than sales; however, this shall not apply when the nature of such contracts does not so merit.

Sub-Section 2 Effect of Sale

(Sale of another's right)

Article 560. Where a right belonging to another person has been made the object of a sale, the seller is bound to acquire such right and transfer it to the buyer.

(Ibid—seller's liability)

Article 561. If, in the case mentioned in the preceding Article, the seller cannot, by acquiring the right he has sold, transfer it to the buyer, the buyer may rescind the contract; however, if the buyer was aware at the time the contract was made that the right did not belong to the seller, he cannot demand compensation for damages.

WORLD TRADEMARK LAW AND PRACTICE
2nd Edition

by

ETHAN HORWITZ
Member of the New York Bar

VOLUME 3
1999
Matthew Bender
Filed Through:
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§ 8.03 Assignments

A trademark right can be divided and separately assigned for each different kind of goods covered by that registered mark, unless one item of the separated goods is similar to any other item of the registered goods. A joint owner of a mark must have the consent of all other joint owners before assigning his share in the mark. The assignment of the mark does not require assignment of the goodwill or the business associated with the mark. An individual conducting a non-profit organization working in the public interest may assign his rights in a mark as long as the assignment includes the organization.

The rights in associated marks may not be separately transferred and the rights of defensive marks may be transferred if

and only if the principal right is transferred.

A transfer of an exclusive license must have the consent of the trademark owner but the transfer of a non-exclusive license needs the owner's consent and that of the exclusive licensee where the new license is a sublicense, except in the case of inheritance or general succession.

A pending application may be assigned in Japan and if the assignment is recorded, the trademark right is registered in the name of the assignee.

§ 8.04 Recording Chain of Title

The transfer of a trademark right including an assignment or a license for exclusive use is not effective until registered. One exception is a transfer by inheritance or general succession which must be relayed to the Patent Office immediately.

A right of non-exclusive use, when registered, is effective as to anyone who later possesses the trademark right or the right of exclusive use of that mark.

Publishing the assignment in a daily newspaper is no longer required under the 1996 Law.

To register the assignment, the local associate requires the assignment and powers of attorney from both the assignee and the assignor. The assignor's power of attorney should preferably be signed by the same person who executed the assignment. A notarized corporate or individual nationality Certificate from the assignor and assignee are required. However, "if, consent to sole petition for recordal from the assignor is filed, assignor's nationality Certificate is unnecessary."

Trademarks are rarely used as security interest in Japan. While a pledge is explicitly covered under Trademark Law, it also is rarely used due to the expense of the registration fee for a pledge on a trademark.

To record a change of name or merger, the same procedure must be followed and the same documents must be submitted, except instead of the assignment, a certificate of the change issued officially or attested notarially must be submitted.

MIRAO FUKAMI
TOSHIO MORITA
MIROYOSHI YOSHIDA
KAZO TAKZUCHI
HIDEKIKO MORII
MACHIRO MORISHITA
MISATO NODA
KAZUYUKI HOHDA
SATOSHI SHIMUZU
HIROKAZU MIYAZONO
HIDETOSHI UEBA

FUKAMI PATENT OFFICE

SUMITOMO BANK MINAMIMORI-MACHI BLDG.
1-23 MINAMIMORI-MACHI 2-CHOME
KITA-KU, OSAMA
320 JAPAN

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FACSIMILE

OF COUNSEL
NARUMIKO FUKUSHI

March 12, 1997

Mr. Yasuo Takase
SURF BREAK, INC.
Shinko Bldg. 3F, 3-2-15 Hongo,
Bunkyo-ku, Tokyo 113, Japan

by Facsimile

Case TC0129
Japanese Trademark Registration for OFFSHORE
Japanese Class: 17
Japanese Trademark Reg. No. 1241239
Registrant: Mr. Yasuo Takase & Daystar of California

Dear Mr. Takase:

Thank you for your facsimile letter of March 11, 1997, wherein you asked me to clarify our mention set forth in our March 7, 1997 letter in connection with the subject Trademark Registration No. 1241239.

We now reply to your inquiries set forth in your letter in order to clarify the above letter of ours.

Your Inquiry 1:

Referring to your March 7, 1997 letter, particularly to the lower portion of page 3 and the former portion of page 4 thereof, there is an indication of OFFSHORE OF CALIFORNIA. Does this mean a company of 1515 East Winston, Anaheim or a company, assumedly represented by Mr. Kazantzis?

Our Answer:

This company means OFFSHORE OF CALIFORNIA of 1515 East Winston, Anaheim, California 92805, U.S.A. and does not mean OFFSHORE OF CALIFORNIA assumedly represented by Mr. Kazantzis, if both companies are not the same entity.

According to the enclosed photocopy of Mr. Harry J. Keto's letter of March 17, 1995, OFFSHORE OF CALIFORNIA of 1515 East Winston, Anaheim seems to have already gone bankruptcy and no more existed. If so, OFFSHORE OF CALIFORNIA assumedly represented by Mr. Kazantzis is a different entity from OFFSHORE OF CALIFORNIA of 1515 East Winston, Anaheim, California 92805, U.S.A. and we should have added to the items (2)

and (3) the following proviso:

> "Provided that the assignee is the same identity as Offshore of California, Inc. of 1515 East Winston, Anaheim, California, 92805, U.S.A."

as done in the item (4). We enclose a revised March 7, 1997 letter for your reference. We regret that the above have caused you confusion and inconveniences.

If the above understanding of of ours is correct, OFFSHORE OF CALIFORNIA assumedly represented by Mr. Kazantzis can not use the original documents (i) to (v) set forth in the latter portion on page 2 of our March 7, 1997 letter and hence will have to newly obtain the assignment documents. In particular, the documents (2) Assignment of Shares and (3) Consent to Sole Request for Recording Assignment should be newly obtained from Daystar of California in liquidation and (4) Consent by Joint Owner will have to be newly received from Mr. Takase. If such assignment documents are obtained and submitted to the Japanese Patent Office and the assignment of shares of Trademark Registration No. 1241239 is recorded, then the share of Trademark Registration will be transferred to OFFSHORE OF CALIFORNIA assumedly represented by

Mr. Kazantzis as from the recordation date.

Your Inquiry 2:

Is OFFSHORE OF CALIFORNIA of 1515 East Winston, Anaheim, California 92805 identical to OFFSHORE OF CALIFORNIA assumedly represented by Mr. Kazantzis under the laws of Japan?

Our Answer:

I do not think so. As described in the foregoing, OFFSHORE OF CALIFORNIA of 1515 East Winston, Anaheim, California 92805 seems to have already gone bankruptcy. If this understanding of ours is correct, OFFSHORE OF CALIFORNIA assumedly represented by Mr. Kazantzis seems to be a different company from the above OFFSHORE OF CALIFORNIA of 1515 East Winston, Anaheim, California 92805.

Your Inquiry 3:

Does OFFSHORE OF CALIFORNIA represented by

Mr. Kazantzis own the OFFSHORE trademark registration under the laws of Japan?

Our Answer:

No. As described in our previous letter of March 7, 1997, we do not believe that OFFSHORE OF CALIFORNIA owns Trademark Registration No. 1241239 under the Japanese Trademark Law. In detail, under Article 98(1)(i) of the Japanese Patent Law applied mutatis mutandis under Article 35 of the Japanese Trademark Law, a photocopy of an English translation of which is enclosed for your reference, in order to effectuate the assignment of the trademark registration, it is absolutely necessary to record the assignment in the register of the Trademark Registration No. 1241239 in the Japanese patent Office. Since assignment of this trademark registration has not yet been recorded, OFFSHORE OF CALIFORNIA assumedly represented by Mr. Kazantzis does not own Trademark Registration No. 1241239. The present owner of Trademark Registration No. 1241239 is Mr. Takase and Daystar of California, as shown on the enclosed photocopy of the register thereof.

Your Inquiry 4:

Is it true that OFFSHORE OF CALIFORNIA assumedly represented by Mr. Kazantzis has a 50% share of Trademark Registration No. 1241239 and hence can receive a royalty from K.K. Universe Sales?

Our Answer:

Again, OFFSHORE OF CALIFORNIA assumedly represented by Mr. Kazantzis does not have 50% share of Trademark Registration No. 1241239 and can not require K.K. Universe Sales to pay royalty on the basis of Trademark Registration No. 1241239.

Your Inquiry 5:

Did I consent to the assignment of shares of Trademark Registration No. 1241239 to OFFSHORE OF CALIFORNIA assumedly represented by Mr. Kazantzis ?

Our Answer:

No. If my presumption that OFFSHORE OF

CALIFORNIA of 1515 East Winston, Anaheim, California 92805 is a different entity from OFFSHORE OF CALIFORNIA assumedly represented by Mr. Kazantzis is correct, our answer is No. You consented to the assignment of 50% shares of Trademark Registration No. 1241239 from Daystar of California to OFFSHORE OF CALIFORNIA of 1515 East Winston, Anaheim, California 92805, and you have not consented to the assignment of the shares from Daystar of California to OFFSHORE OF CALIFORNIA assumedly represented by Mr. Kazantzis.

Once again, please be sure to understand Article 98(1)(i) of the Japanese Patent Law applied mutatis mutandis under Article 35 of the Japanese Trademark Law stating that assignment will not be effectuated until the recordation of the assignment of a trademark registration is done in the register of a trademark registration in question in the Japanese Patent Office.

Very truly yours

[s]

Kazuo Takeuchi

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Attorneys for Defendant Silver Castle, Ltd., and
Defendants/Counter-Claimants Offshore Sportswear, Inc.,
and Offshore of California, Inc.

UNITED STATES DISTRICT COURT

CENTRAL DISTRICT OF CALIFORNIA

UNIVERSE SALES CO., LTD., a Foreign corporation, Plaintiff, v. OFFSHORE SPORTSWEAR, INC, a California corporation; SILVER CASTLE, LTD., a California corporation; GEORGE KAZANTZIS, an individual; ROBERT T. SANTELLI, an individual; GULU WATUMUL, an individual and shareholder of OSI and SILVER CASTLE; and DOES 1-25, inclusive, Defendants. AND ALL RELATED COUNTER-CLAIMS.	CASE NO. SACV95-932GLT(EEx) Assigned for All Purposes: The Hon. Gary L. Taylor Department 2 **DECLARATION OF MITSUHIRO KAMIYA** [Filed in Support of OCI's Position on Motions for Summary Judgment] Date: May 12, 1997 Time: 10:00 a.m. Room: 2

DECLARATION OF MITSUHIRO KAMIYA

I, Mitsuhiro Kamiya, declare:

1. I am a partner with Nishimura & Partners, one of Japan's largest law firms with over 60 attorneys. My practice involves all facets of Japanese trademark and contract law.

2. That matters stated herein are known to me of my own personal knowledge to the extent provided below, and if called upon to testify to those facts, I could and would competently do so.

3. Nishimura & Partners has been retained by Offshore of California, Inc. ("OCI") to provide its expertise on Japanese law as it pertains to the pending motions for summary judgment. In this regard, I reviewed the pending motions, obtained the histories of Japanese Trademark registrations Nos. 1,548,758 and 1,241,239 from the Patent Office of Japan ("POJ"), and researched the application of Japanese contract and trademark law. My analysis of the application of Japanese law to the pending dispute is follows [sic].

California License Agreement Dispute Law Governs

4. Japanese choice of law rules, in principle, respect the parties' freedom to choose a foreign law as the governing law of an agreement between the parties. Although such freedom will be limited by Japanese public policy and the Japanese Trademark

Law (Law No. 127 of 1959, as amended) (the "Trademark Law") will constitute such public policy to the extent that the requirements and effects of registration of the Japanese trademarks are at issue, basic aspects of the agreement shall still be governed by the foreign law designated by the parties. Paragraph 26 of the January 1, 1987 Exclusive License Agreement ("License Agreement") between Daystar of California ("Daystar"), Yasuo Takase ("Takase") and Universe Sales Co., Ltd. ("Universe") provides that any interpretation of the License Agreement is to be construed under the laws of the State of California, U.S.A. On such basis, a Japanese court adjudicating this lawsuit would apply California contract law. Further, as discussed below, the Japanese Trademark Law is not controlling in this case.

Japanese Trademark Law is Not Controlling

5. To receive the benefits of the Japanese Trademark Law, any transfer of any title or interest in a registered trademark must be registered with the POJ. Registration with the POJ provides the registered owner of the trademark with certain special rights such as nationwide constructive notice of ownership. Yet, registration of an assignment of a trademark is not necessary to validate and enforce the assignment itself. If the assignment is valid in all other respects, the lack of registration will not defeat enforceability of the assignment. For instance a lawsuit

concerning a breach of license agreement in Japan involving trademarks is not controlled by the Japanese Trademark Law. Instead, since the duties and obligations arise under the license agreement, Japanese contract law is dispositive. The instant lawsuit between Universe and OCI, the parties to the License Agreement, is based entirely on the validity and enforceability of the License Agreement. Thus, if California law were not applied, Japanese law would be controlling.

The License Agreement is Valid And
Enforceable Under Japanese Contract Law

6. Article 560 of the Civil Code of Japan (Law No. 89 of 1896, as amended) (the "Civil Code"), which constitutes Japanese contract law, provides that a seller of a third party's property is under an obligation to acquire the title to the property and transfer it to the buyer. Article 561 of the Civil code further provides that, in such a case, if the seller is unable to acquire the title and transfer it to the buyer, the buyer shall be entitled to terminate the contract but shall not be able to seek damages from the seller if the buyer was aware that the seller did not have title when the contract was executed between the seller and the buyer. These provisions have consistently been interpreted by Japanese courts as providing that an agreement for the sale of a third party's property is prima facie valid and enforceable. These provisions are applied to any

contact for value other than a sale contract (such as a lease agreement and a license agreement) by means of Article 559 of the Civil Code. The English translations of Articles 559, 560 and 561 of the Japanese Civil Code are attached as Exhibit "1". As such, under Japanese contract law, the License Agreement is prima facie valid and enforceable. Therefore, Universe has the burden to overcome this prima facie evidence. Universe cannot do so because, as stated below, the License Agreement is indeed valid and enforceable under Japanese contract law.

7. Under Japanese contract law, as Article 561 of the Civil Code indicates, if the licensor under a license agreement can acquire proper title to the licensed trademark, the licensee will be unable to cancel the license agreement or refuse to pay royalties strictly on the grounds that the licensor was not the registered owner of the licensed trademark when the license agreement was executed. In other words, only if the licensor cannot acquire proper title from the registered owner of the licensed trademark (e.g., after the agreement was executed, the registered owner of the licensed trademark assigned the trademark to a good faith purchaser), will the license agreement be terminable. The meaning of "cannot acquire proper title" will be determined on a case-by-case basis. If the third party's licensed trademarks were being sold, the seller must obtain perfect legal title to the trademark, which includes the relevant registration. However, the

licensee of the trademark will be able to use the trademark even if the licensor does not have registration on its title. Indeed, the licensor may obtain from the registered owner a license with a right to grant a sublicense to the licensee. In such a case, the licensor shall be considered to have "acquired proper title" and even if the licensor cannot obtain the registration, it will not be considered that the licensor "cannot acquire proper title." As set forth below, OCI can and has obtained proper title of Japanese Trademark Registration Nos. 1,548,758 and 1,241,239 for the purpose of the license to Universe. As such, under Japanese contract law, OCI is the proper licensor under the License Agreement and is entitled to royalties from Universe for the years 1992 through 1996.

8. Japanese court decisions support the foregoing result. For instance, agricultural land in Japan may not be validly transferred without governmental approval under the Japanese Agricultural Land Law (Law No. 229 of 1952, as amended). Yet, the judgment of the Supreme Court dated April 4, 1968, HANJI No. 521, p. 47, held that under Japanese contract law, *agreements* transferring agricultural land are valid and enforceable, despite the absence of the necessary governmental approval. Further, a seminal decision of the Great Court of Judicature (predecessor to the present Supreme court) dated February 28, 1908, DAIHAN MINROKU vol. 14, p. 156, held that, while a mining right may not

be validly transferred without being registered, under Japanese contract law, an *agreement* transferring mining rights was still valid and enforceable.

9. On such basis, under Japanese contract law, Universe's contention that it is not obligated to pay royalties to OCI is baseless. Particularly in view of the fact that Universe has received the benefit of the License Agreement. From 1992 through 1996, in accordance with the License Agreement, Universe was the exclusive licensee of the Trademarks in Japan for mans' and boys' apparel. In a similar factual setting, the judgment of the Tokyo District Court dated March 22, 1993, HANJI No. 1473, p. 73, held that the lessor of a third party's building was still entitled to rental fees from the lessee so long as the lessee used the property.

OCI Is The Registered Owner of Japanese Trademark Registration No. 1,548,758

10. I have obtained and reviewed the documents filed with the POJ with respect to Japanese Trademark Registration No. 1,548,758, which is the "Sun Over Sea" logo for mens' and boys' apparel. According to those documents, as of January 6, 1983, Japanese Trademark Registration No. 1,548,758 was registered to both Daystar and Takase. On April 24, 1990, Daystar executed an

"Assignment of Shares" with respect to Japanese Trademark Registration No. 1,548,758 which was consistent with Daystar's assignment (the "Assignment") under which Daystar assigned all of its "right, title and interest" to Japanese Trademark Registration No. 1,548,758 and other Offshore trademarks to Offshore of California, Inc. ("OCI") on December 10, 1987. The "Assignment of Shares" was subsequently recorded with the POJ. A true and correct copy of the Assignment is attached as Exhibit "2". A true and correct copy of the "Assignment of Shares" regarding Japanese Trademark Registration No. 1,548,758 executed by Daystar is also attached as Exhibit "3".

11. On April 24, 1990, Takase gave his written consent to Daystar's assignment of all of its "share of the right of" Japanese Trademark Registration No. 1,548,758 . A true and correct copy of the written "Consent by Joint Owner" executed by Takase is attached as Exhibit "4". Daystar's written assignment to OCI as well as Takase's written consent to the assignment, was filed with the POJ. As such, the assignment of Daystar's interest in Japanese Trademark Registration No. 1,548,758 to OCI was duly registered and the joint registered owners of Japanese Trademark Registration No. 1,548,758, are Takase and OCI. A true and correct copy of the Trademark Registry evidencing Takase and OCI's joint ownership of Japanese Trademark Registration No. 1,548,758 is attached as Exhibit "5". In fact, according to the

POJ, on October 28, 1994, Japanese Trademark Registration No. 1,548,758 was renewed to both OCI and Takase.

12. As such, under Japanese Trademark Law, OCI is the registered joint owner of Japanese Trademark Registration No. 1,548,758.

OCI is the Legal Owner of Trademark Registration No. 1,241,239

13. I have obtained and reviewed the documents filed with the POJ with respect to Japanese Trademark Registration No. 1,241,239, which is the "Offshore" brand for mans' and boys's apparel. As of April 12, 1982, the joint owners of Japanese Trademark Registration No. 1,241,239 were Daystar and Takase. On April 24, 1990, Daystar executed an "Assignment of Shares" with respect to Japanese Trademark Registration No. 1,241,239, which was consistent with Daystar's Assignment under which Daystar assigned all of its "right, title and interest" to Japanese Trademark Registration No. 1,241,239 to OCI on December 10, 1987 (see Exhibit "2" above). A true and correct copy of the "Assignment of Shares" regarding Japanese Trademark Registration No. 1,241,239 executed by Daystar is attached as Exhibit "6".

14. On April 24, 1990, Takase gave his written consent to

to Daystar's assignment of Japanese Trademark Registration No. 1,241,239 to OCI. A true and correct copy of the written "Consent by Joint Owner" executed by Yasuo Takase regarding Japanese Trademark Registration No. 1,241,239 is attached as Exhibit "7".

15. On September 6, 1990, OCI and Takase's former joint Japanese trademark counsel, Fukami Patent Office, applied to register the "Assignment of Shares" as well as Takase's written consent with respect to Japanese Trademark Registration No. 1,241,239. For technical reasons (a clerical mistake on the power of attorney), the POJ rejected the application. Thereafter, on December 13, 1996, the application for the renewal of Japanese Trademark Registration No. 1,241,239 was filed on behalf of OCI and Takase. That application for renewal is still pending before the POJ.

16. In view of Daystar's unequivocal written assignment of Japanese Trademark Registration No. 1,241,239 to OCI, as well as Takase's undisputed written consent to the assignment, OCI is the proper joint owner of Japanese Trademark Registration No. 1,241,239 under Japanese contract law.

Right to Receive Royalties

17. As the registered joint owner of Trademark

Registration No. 1,548,758, OCI, under Japanese Trademark Law and Japanese contract law, is the proper licensor of Trademark Registration No. 1,548,758 and is entitled to recover royalties thereon. Further, in view of Daystar's assignment of Japanese Trademark Registration No. 1,241,239 to OCI and Takase's written consent thereto, OCI, under Japanese contract law, is the proper licensor of Japanese Trademark Registration No. 1,241,239 and is entitled to receive royalties thereon.

18. OCI is also entitled to receive royalties on both Trademark Registration No. 1,548,758 and 1,241,239 even after the License Agreement expired in December 31, 1996. As a result of Universe's continuance to use these trademarks since the expiration date of the License Agreement, it is likely to be deemed that the License Agreement was de facto renewed for no stated duration (for instance, for a lease agreement, see Article 619 of the Civil Code.) Even if the License Agreement was not deemed to have been renewed, OCI will still be entitled to damages equivalent to such royalties under either the theory of unjust enrichment (Article 704 of the Civil Code) or under tort law (Article 709 of the Civil Code) because Universe has enjoyed and obtained benefits from the use of these trademarks without authorization from OCI. The English translations of these provisions are also attached as Exhibit "1".

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct. Executed this 14th day of April, 1997, in Tokyo, Japan.

[s]

Mitsuhiro Kamiya